國浩集團有限公司
Guoco Group Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 53)

Announcement of Interim Results for the Six Months Ended 31 December 2010

FINANCIAL HIGHLIGHTS

	Six months ended 31 December		
	2010	2009	*Increase/*
	HK$'M	HK$'M	*(Decrease)*
Turnover	**25,093**	6,245	*302%*
Revenue	**3,236**	3,383	*(4%)*
Profit from operations before finance cost	**3,292**	1,391	*137%*
Profit attributable to shareholders of the Company	**3,842**	1,063	*261%*
	HK$	HK$	
Earnings per share	**11.82**	3.27	*261%*
Interim dividend per share	**1.00**	0.80	*25%*
	As at		
	31 December 2010	30 June 2010	
	HK$	HK$	
Equity per share attributable to shareholders of the Company	**147.26**	131.75	*12%*

RESULTS

The unaudited consolidated results of Guoco Group Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2010 together with comparative figures for the corresponding period last year are as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2010 - Unaudited

	Note	**2010** HK$'000	2009 HK$'000
Turnover	2 & 3	**25,092,791**	6,245,268
Revenue	2 & 3	**3,235,595**	3,382,627
Cost of sales		**(1,578,278)**	(1,807,609)
Other attributable costs		**(77,188)**	(77,936)
		1,580,129	1,497,082
Other revenue		**241,047**	228,039
Other net income	4	**2,536,224**	604,684
Administrative and other operating expenses		**(1,065,620)**	(938,454)
Profit from operations before finance cost		**3,291,780**	1,391,351
Finance cost	2(b) & 5(a)	**(223,075)**	(251,342)
Profit from operations	2	**3,068,705**	1,140,009
Profit on disposal of an associate		**324,352**	-
Share of profits of associates		**785,871**	200,967
Share of profits less losses of jointly controlled entities		**24,151**	11,663
Profit for the period before taxation	2 & 5	**4,203,079**	1,352,639
Taxation	6	**(211,151)**	(135,485)
Profit for the period		**3,991,928**	1,217,154
Attributable to :			
Shareholders of the Company		**3,841,680**	1,063,158
Non-controlling interests		**150,248**	153,996
Profit for the period		**3,991,928**	1,217,154
Earnings per share		**HK$**	HK$
Basic	8	**11.82**	3.27
Diluted	8	**11.82**	3.27
		HK$'000	HK$'000
Interim dividend	7	**329,051**	263,241

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2010 - Unaudited

	2010	2009
	HK$'000	HK$'000
Profit for the period	**3,991,928**	1,217,154
Other comprehensive income for the period		
Exchange differences on translation of financial statements of foreign subsidiaries, associates and jointly controlled entities	**974,417**	(18,899)
Exchange differences on monetary items forming part of the net investments in foreign subsidiaries and associates	**(159,988)**	(24,001)
Changes in fair value of available-for-sale financial assets	**1,126,484**	1,253,223
Transfer to profit or loss on disposal of available-for-sale financial assets	**1,003**	-
Share of other comprehensive income of associates	**516,723**	3,707
Other comprehensive income for the period, net of tax	**2,458,639**	1,214,030
Total comprehensive income for the period	**6,450,567**	2,431,184
Total comprehensive income attributable to:		
Shareholders of the Company	**6,004,012**	2,287,967
Non-controlling interests	**446,555**	143,217
	6,450,567	2,431,184

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	**At 31 December 2010 (Unaudited) HK$'000**	At 30 June 2010 (Audited) HK$'000
NON-CURRENT ASSETS			
Fixed assets			
- Investment properties		**2,812,165**	2,616,609
- Other property, plant and equipment		**10,160,241**	9,948,035
Interest in associates		**6,329,709**	5,292,333
Interest in jointly controlled entities		**885,811**	836,083
Available-for-sale financial assets		**8,997,844**	5,965,598
Deferred tax assets		**1,158**	1,160
Intangible assets		**1,413,106**	1,266,740
Goodwill		**267,585**	265,020
		30,867,619	26,191,578
CURRENT ASSETS			
Development properties		**22,609,409**	21,393,197
Properties held for sale		**2,129,911**	1,429,317
Trade and other receivables	9	**5,758,752**	2,281,623
Trading financial assets		**10,480,124**	18,135,574
Cash and short term funds		**13,022,426**	6,412,166
		54,000,622	49,651,877
CURRENT LIABILITIES			
Trade and other payables	10	**6,029,609**	5,742,194
Current portion of bank loans and other borrowings		**8,077,575**	7,414,400
Taxation		**263,100**	319,230
Provisions and other liabilities		**4,143**	9,777
		14,374,427	13,485,601
NET CURRENT ASSETS		**39,626,195**	36,166,276
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,493,814**	62,357,854
NON-CURRENT LIABILITIES			
Non-current portion of bank loans and other borrowings		**12,472,605**	10,858,623
Provisions and other liabilities		**45,294**	53,385
Deferred tax liabilities		**714,769**	634,740
		13,232,668	11,546,748
NET ASSETS		**57,261,146**	50,811,106
CAPITAL AND RESERVES			
Share capital		**1,278,894**	1,280,736
Reserves		**47,177,300**	42,072,043
Equity attributable to shareholders of the Company		**48,456,194**	43,352,779
Non-controlling interests		**8,804,952**	7,458,327
TOTAL EQUITY		**57,261,146**	50,811,106

Notes:

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009/10 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010/11 annual financial statements as described below.

The HKICPA has issued certain revised and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that became effective for the current accounting period of the Group. The adoption of the revised standards, amendments and interpretations had no material impact on the results and financial position of the Group.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009/10 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 30 June 2010 included in the interim financial report is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2010 can be obtained on request at the Group Company Secretariat, 50/F The Center, 99 Queen's Road Central, Hong Kong, or from the Company's website www.guoco.com. The auditors expressed an unqualified opinion on those financial statements in their report dated 27 August 2010.

2. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has six reportable segments, as described below, which are the Group's strategic business units. The strategic business units engage in different business activities, offer different products and services and are managed separately. The following summary describes the operations in each of the Group's reportable segments:

Segment	Business activities	Operated by
Principal investment:	This segment covers equity and direct investments as well as treasury operations, with trading and strategic investments in global capital markets.	Subsidiaries
Property development and investment:	This segment involves in development of residential and commercial properties and holding properties for rental income in the key geographical markets of Singapore, China, Malaysia and Vietnam.	Subsidiaries
Hospitality and leisure business:	This business segment owns, leases or manages hotels and operates gaming business in the United Kingdom, Spain and Belgium.	Subsidiaries and associate
Securities, commodities and brokerage:	This segment provides stock and commodities broking and corporate advisory services principally in Hong Kong.	Subsidiary
Oil and gas:	This segment receives royalty income from the entitlement of Bass Strait oil trust in Australia.	Subsidiary
Financial services:	This segment covers commercial and consumer banking, Islamic banking, investment banking, life and general insurance, Takaful insurance, fund management and unit trust, corporate advisory services and stockbroking.	Associate

Performance is evaluated on the basis of profit or loss from operations before taxation. Inter-segment pricing is determined on an arm's length basis. The Group’s measurement methods used to determine reported segment profit or loss remain unchanged from Year 2009/2010.

2. SEGMENT REPORTING (cont'd)

Information regarding the Group's reportable segments for the purposes of resource allocation and assessment of segment performance for the period is set out below.

(a) Reportable segment revenue and profit or loss (unaudited)

	Principal investment HK$'000	Property development and investment HK$'000	Hospitality and leisure business HK$'000	Securities, commodities and brokerage HK$'000	Oil and gas HK$'000	Total HK$'000
For the six months ended 31 December 2010						
Turnover	**22,080,707**	**1,315,179**	**1,662,073**	**34,832**	**-**	**25,092,791**
Revenue from external customers	**223,511**	**1,315,179**	**1,662,073**	**34,832**	**-**	**3,235,595**
Inter-segment revenue	**6,359**	**3,925**	**-**	**2,440**	**-**	**12,724**
Reportable segment revenue	**229,870**	**1,319,104**	**1,662,073**	**37,272**	**-**	**3,248,319**
Operating profit	**2,504,393**	**292,506**	**349,281**	**6,965**	**144,994**	**3,298,139**
Finance cost						**(229,434)**
Profit on disposal of an associate						**324,352**
Share of profits of associates						**785,871**
Share of profits less losses of jointly controlled entities						**24,151**
Profit before taxation						**4,203,079**
For the six months ended 31 December 2009						
Turnover	3,052,247	1,783,771	1,369,367	39,883	-	6,245,268
Revenue from external customers	189,606	1,783,771	1,369,367	39,883	-	3,382,627
Inter-segment revenue	10,709	3,877	-	1,838	-	16,424
Reportable segment revenue	200,315	1,787,648	1,369,367	41,721	-	3,399,051
Operating profit	613,812	467,199	171,436	12,051	135,237	1,399,735
Finance cost						(259,726)
Share of profits of associates						200,967
Share of profits less losses of jointly controlled entities						11,663
Profit before taxation						1,352,639

2. SEGMENT REPORTING (cont'd)

(b) Reconciliations of reportable segment revenue and finance cost (unaudited)

Revenue

	Six months ended 31 December	
	2010	2009
	HK$'000	HK$'000
Reportable segment revenue	**3,248,319**	3,399,051
Elimination of inter-segment revenue	**(12,724)**	(16,424)
Consolidated revenue (note 3)	**3,235,595**	3,382,627

Finance cost

	Six months ended 31 December	
	2010	2009
	HK$'000	HK$'000
Reportable finance cost	**(229,434)**	(259,726)
Elimination of inter-segment finance cost	**6,359**	8,384
Consolidated finance cost (note 5(a))	**(223,075)**	(251,342)

2. SEGMENT REPORTING (cont'd)

(c) Geographical information (unaudited)

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's profit/(loss) from operations. The geographical information is classified by reference to the location of the income generating entities.

	Revenue from external customers			Profit/(loss) from operations	
	Six months ended 31 December			Six months ended 31 December	
	2010	2009		**2010**	2009
	HK$'000	HK$'000		**HK$'000**	HK$'000
The People's Republic of China					
Hong Kong	**248,890**	233,529		**2,505,015**	626,437
Mainland China	**1,100,436**	1,392,593	**(Note)**	**267,523**	325,487
United Kingdom	**1,544,271**	1,297,278		**231,564**	47,196
Singapore	**167,000**	255,926	**(Note)**	**(38,835)**	38,619
Australasia and others	**174,998**	203,301	**(Note)**	**103,438**	102,270
	3,235,595	3,382,627		**3,068,705**	1,140,009

Note:

In accordance with applicable Hong Kong Financial Reporting Standards, at Group level we have recognised revenue arising from the pre-sale of properties upon completion of development projects instead of the percentage of completion method adopted by GuocoLand Limited ("GLL") as permitted under the relevant Singapore Accounting Standards. Accordingly, operating profits of GLL for the period amounting to HK$178.0 million (2009: HK$nil) and HK$9.3 million (2009: HK$355.2 million) in Singapore and Mainland China and other countries respectively have been deferred for recognition in the Group accounts. The Group has recognised operating profits of GLL which have been deferred in previous years amounting to HK$nil (2009: HK$nil) and HK$137.6 million (2009: HK$107.8 million) in Singapore and Mainland China and other countries respectively for those development projects completed during the period. Up to 31 December 2010, accumulated operating profits of GLL totalling HK$412.0 million (2009: HK$39.5 million) in Singapore and HK$304.7 million (2009: HK$388.5 million) in Mainland China and other countries have been deferred for recognition, and will be recognised by the Group upon completion of the relevant development projects in subsequent years.

3. TURNOVER AND REVENUE

An analysis of the amount of each significant category of turnover and revenue from principal activities during the period is as follows:

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from sale of properties	**1,220,307**	1,691,542
Revenue from hotel and gaming operations	**1,630,195**	1,336,432
Interest income	**99,645**	154,632
Dividend income from listed securities	**173,436**	84,256
Rental income from properties	**72,633**	71,337
Securities commission and brokerage	**28,730**	33,346
Others	**10,649**	11,082
Revenue	**3,235,595**	3,382,627
Proceeds from sale of investments in securities	**21,857,196**	2,862,641
Turnover	**25,092,791**	6,245,268

4. OTHER NET INCOME

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net realised and unrealised gains on trading financial assets	**2,238,301**	82,566
Net realised and unrealised gains on derivative financial instruments	**5,348**	38,247
Net realised gains on disposal of available-for-sale financial assets	**12,157**	-
Net gains on foreign exchange contracts	**53,176**	6,731
Other exchange gains	**224,218**	452,689
Net gains on disposal of fixed assets	**303**	814
Other income	**2,721**	23,637
	2,536,224	604,684

5. PROFIT FOR THE PERIOD BEFORE TAXATION

Profit for the period before taxation is arrived at after charging/(crediting):

(a) Finance cost

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank advances and other borrowings wholly repayable within five years	**235,505**	261,579
Other borrowing costs	**138,495**	151,405
Total borrowing costs	**374,000**	412,984
Less: borrowing costs capitalised into development properties (Note)	**(150,925)**	(161,642)
	223,075	251,342

Note: These borrowing costs have been capitalised at rates of 0.7% to 6.0% per annum (2009: 1.0% to 6.3%).

(b) Staff cost

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, wages and other benefits	**557,478**	498,234
Retirement scheme contributions	**17,979**	18,945
	575,457	517,179

(c) Other items

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**106,656**	111,902
Amortisation of Bass Strait oil and gas royalty	**28,038**	25,839
Gross rental income from investment properties	**(72,633)**	(71,337)
Less: direct outgoings	**15,064**	16,394
Net rental income	**(57,569)**	(54,943)

6. TAXATION

Tax expenses in the consolidated income statement represent:

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong Profits Tax	**(21,819)**	(1,489)
Overseas taxation	**(133,163)**	(145,458)
Deferred taxation	**(56,169)**	11,462
	(211,151)	(135,485)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2009: 16.5%) to the profits for the six months ended 31 December 2010. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable in the relevant countries.

7. DIVIDENDS

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Year 2009/2010:		
Final dividend paid of HK$2.00 per ordinary share (Year 2008/2009: HK$1.50 per ordinary share)	**651,868**	487,842
Year 2010/2011:		
Interim dividend declared of HK$1.00 per ordinary share (Year 2009/2010: HK$0.80 per ordinary share)	**329,051**	263,241

The interim dividend declared for the year ending 30 June 2011 of HK$329,051,000 (2010: HK$263,241,000) is calculated based on 329,051,373 ordinary shares (2009: 329,051,373 ordinary shares) in issue as at 31 December 2010.

The interim dividend declared after the interim period has not been recognised as a liability at the end of the interim reporting period in the accounts.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$3,841,680,000 (2009: HK$1,063,158,000) and the weighted average number of 325,024,511 ordinary shares (2009: 325,024,511 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$3,841,640,000 and the weighted average number of 325,024,511 ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

For the period ended 31 December 2009, the potential ordinary shares outstanding during the period had an anti-dilutive effect on the basic earnings per share.

9. TRADE AND OTHER RECEIVABLES

	At 31 December 2010 (Unaudited) HK$'000	At 30 June 2010 (Audited) HK$'000
Trade debtors	**1,493,411**	1,575,212
Deposits and prepayments	**4,150,143**	628,030
Derivative financial instruments, at fair value	**102,085**	63,233
Interest receivable	**13,113**	15,148
	5,758,752	2,281,623

Included in trade and other receivables is HK$69.2 million (30 June 2010: HK$798.7 million) which is expected to be recovered after one year.

Included in trade and other receivables are trade debtors (net of allowance for bad and doubtful debts) with the following ageing analysis as of the end of the reporting period:

	At 31 December 2010 (Unaudited) HK$'000	At 30 June 2010 (Audited) HK$'000
Current	**726,305**	690,531
1 to 3 months	**61,027**	45,266
More than 3 months	**706,079**	839,415
	1,493,411	1,575,212

10. TRADE AND OTHER PAYABLES

	At 31 December 2010 (Unaudited) HK$'000	At 30 June 2010 (Audited) HK$'000
Trade creditors	**496,536**	624,854
Other payables and accrued operating expenses	**5,202,789**	4,839,811
Derivative financial instruments, at fair value	**188,928**	185,113
Amounts due to fellow subsidiaries	**138,627**	89,816
Amounts due to associates	**288**	280
Amounts due to jointly controlled entities	**2,441**	2,320
	6,029,609	5,742,194

Included in trade and other payables is HK$24.9 million (30 June 2010: HK$312.9 million) which is expected to be payable after one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the end of the reporting period:

	At 31 December 2010 (Unaudited) HK$'000	At 30 June 2010 (Audited) HK$'000
Due within 1 month or on demand	**455,984**	461,008
Due after 1 month but within 3 months	**8,939**	37,560
Due after 3 months	**31,613**	126,286
	496,536	624,854

The amounts due to fellow subsidiaries, associates and jointly controlled entities are unsecured, interest free and have no fixed repayment terms.

11. HONG KONG DOLLAR AMOUNTS

The consolidated financial statements of the Group are expressed in the United States dollar (“USD”), which is the functional currency of the Company. The Hong Kong dollar (“HKD”) figures presented in the sections entitled “FINANCIAL HIGHLIGHTS” and “RESULTS” above are the HKD equivalents of the corresponding USD figures in the consolidated financial statements, which are translated at the rates ruling at the respective financial period ends for presentation purposes only (31 December 2010: US$1 = HK$7.7732, 30 June 2010: US$1 = HK$7.7844, 31 December 2009: US$1 = HK$7.75485).

12. REVIEW BY BOARD AUDIT COMMITTEE

The unaudited interim results for the six months ended 31 December 2010 have been reviewed by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$1.00 per share amounting to approximately HK$329 million (2009/10 interim dividend: HK$0.80 per share amounting to approximately HK$263 million) for the financial year ending 30 June 2011 which will be payable on Thursday, 17 March 2011 to the shareholders whose names appear on the Register of Members on Tuesday, 15 March 2011.

REVIEW OF OPERATIONS

Financial Results

The unaudited consolidated profit attributable to shareholders for the six months ended 31 December 2010, after taxation and non-controlling interests, amounted to HK$3,842 million, representing an increase of 261% over that of previous corresponding period of HK$1,063 million. Earnings per share comes to HK$11.82.

The major profit contributions (before taxation) were from the following:

- property development and investment of HK$293 million;
- hospitality and leisure business of HK$349 million;
- total net exchange gain (including foreign exchange contracts) of HK$277 million;
- total interest income of HK$100 million;
- total realised and unrealised gain on trading financial assets of HK$2,238 million;
- dividend income of HK$173 million;
- contributions from associates and jointly controlled entities of HK$810 million;

and set off by finance cost of HK$223 million.

Revenue decreased by 4% to HK$3.2 billion. The decrease was mainly attributable to the decrease in property development and investment sector of HK$469 million (26%), net off by increase in hospitality and leisure sector of HK$293 million (21%).

Principal Investment

Notwithstanding mixed economic signals such as high unemployment in the US and renewed sovereign debt concerns in parts of Europe, equities advanced higher in the second half of 2010 after a sluggish first half. Sentiment was supported by ample liquidity, continued corporate earnings growth and improved economic data. A second round of quantitative easing by the US Fed further strengthened markets. However, inflationary pressure started to surface in a number of emerging economies. In particular, China quickly implemented interest rate and banks' reserve requirement hikes to cool down its economy. This led to an under-performance in the Hong Kong and China markets.

The Group took advantages of rallies in equity prices by realizing profits in its trading positions. We expect equity prices to maintain an upward trend although volatility will continue.

Property Development and Investment

GuocoLand Limited ("GLL") – 65.2% controlled by Guoco

GLL achieved revenue of S$272.7 million and profit attributable to shareholders of S$35.0 million for the half year ended 31 December 2010. Higher profit was recognised for Singapore development projects in the current financial period. However, the increase was offset by lower profit contribution from China because of fewer property launches.

GLL completed its 1-for-3 renounceable rights issue in December 2010. Guoco had taken up all its rights entitlement. The net proceeds of approximately S$532 million helped to strengthen GLL's balance sheet. GLL successfully tendered in November 2010 for a prime site in proximity to the Tanjong Pagar MRT Station within the Central Business District which was at the second highest price ever paid for a government tendered land.

Continued economic growth is expected in Singapore and China, which are the core markets for GLL. Governments in these countries continue to adopt pro-active measures to prevent overheating in the property markets. The Group remains optimistic on the medium and long-term prospects of real estate investments in Singapore and China.

Hospitality and Leisure Business

GuocoLeisure Limited ("GL") – 65.9% controlled by Guoco

GL recorded a profit after tax for the half year ended 31 December 2010 at US$35.8 million, an increase of 104.6% as compared to US$17.5 million in the previous corresponding period.

Revenues stood at US$200.1 million, which was 17.2% above that of the previous corresponding period. This was mainly due to higher revenues generated from the hotel operations as well as higher gaming wins.

Income from the Bass Strait oil and gas royalty in Australia increased by 7.2% to US$22.3 million, principally due to higher average crude oil and gas prices in the current period as compared to the same period a year ago.

The Rank Group, Plc ("Rank") – 29.3% owned by Guoco

Rank issued a trading update for the 49-week period from 1 January 2010 to 5 December 2010 on 9 December 2010. Rank has achieved sustained revenue and earnings growth in the year to date, despite the difficult economic environment in the UK. It achieved an increase of 7% in revenue.

The outlook for 2011 in the UK remains challenging with the increase in the standard rate of VAT and public sector redundancies likely to have a negative effect on consumer sentiment in Great Britain.

Financial Services

Hong Leong Financial Group Berhad ("HLFG") – 25.4% owned by Guoco

HLFG will publish its results for the interim period ended 31 December 2010 subsequent to the Group's own interim announcement. The Group has incorporated the consolidated results of HLFG based on their unaudited management accounts.

GROUP FINANCIAL COMMENTARY

Capital and Finance

- The Group's consolidated total equity (including non-controlling interests) as at 31 December 2010 amounted to HK$57.3 billion, an increase of 13% compared to the total equity as at 30 June 2010.

- The Group's consolidated total equity attributable to shareholders of the Company as at 31 December 2010 amounted to HK$48.5 billion, an increase of HK$5.1 billion compared to the figure as at 30 June 2010.

Total Cash and Liquid Funds

As at 31 December 2010, the Group had net liquid funds of HK$2.9 billion, comprising total cash balance of HK$13.0 billion and marketable securities of HK$10.5 billion after netting off the total group borrowings of HK$20.6 billion.

The Group's total cash balance and marketable securities were mainly in USD (35%), RMB (15%), RM (13%), SGD (11%) and AUD (7%).

Total Borrowings

The increase in total borrowings from HK$18.3 billion as at 30 June 2010 to HK$20.6 billion as at 31 December 2010 was primarily due to the drawdown of additional bank loans by GLL to support its operating activities. The Group's total borrowings are mainly denominated in SGD (67%), GPB (16%) and RM (10%).

The Group's bank loans and other borrowings are repayable as follows:

	Bank Loans HK$'M	Mortgage debenture stock HK$'M	Convertible bonds HK$'M	Other borrowings HK$'M	Total HK$'M
Within 1 year or on demand	7,775	-	-	303	8,078
After 1 year but within 2 years	1,723	-	2,224	424	4,371
After 2 years but within 5 years	5,131	2,298	-	-	7,429
After 5 years	11	661	-	-	672
	6,865	2,959	2,224	424	12,472
	14,640	2,959	2,224	727	20,550

Bank loans and mortgage debenture stock are secured by the legal mortgages on certain development properties and fixed assets with an aggregate book value of HK19.2 billion.

Committed borrowing facilities available to Group companies and not yet drawn as at 31 December 2010 amounted to approximately HK$9.2 billion.

Interest Rate Exposure

The Group's interest rate risk arises from treasury activities and borrowings. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. The Group uses interest rate swap to manage its interest rate exposure.

As at 31 December 2010, approximately 63% of the Group's borrowings were at floating rates and the remaining 37% were at fixed rates. The Group had outstanding interest rate swaps with notional amount of HK$1.6 billion.

Foreign Currency Exposure

The Group from time to time enters into foreign exchange contracts, which are primarily over-the-counter derivatives, principally for hedging foreign currency exposures and investments.

As at 31 December 2010, there were outstanding foreign exchange contracts with a total notional amount of HK$13.4 billion for hedging of foreign currency equity and bond investments.

Equity Price Exposure

The Group maintains a diversified investment portfolio which comprises listed and unlisted equities. Investments are classified as "trading" or "strategic". Equity investments are subject to asset allocation limits.

Contingent Liabilities

(i) GL has given a guarantee to the buyer of various hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of the businesses will not be less than HK$333 million (30 June 2010: HK$324 million) per calendar year thereafter until 4 April 2012. The maximum liability for any one year under the guarantee is HK$333 million (30 June 2010: HK$324 million) and the maximum aggregate liability under the guarantee is approximately HK$666 million (30 June 2010: HK$648 million).

(ii) In November 2007, GLL's wholly-owned subsidiary, GuocoLand (China) Limited ("GLC"), completed its acquisition of a 100% interest in Hainan Jing Hao Asset Limited ("Hainan Co"), which in turn held a 90% stake in Beijing Cheng Jian Dong Hua Real Estate Development Company Limited ("DZM Project Co"), the company undertaking the Dongzhimen project in Beijing ("DZM Project"). To date, an aggregate of RMB3.22 billion of the purchase consideration of RMB5.8 billion has been paid to the vendors of the DZM Project, Beijing Beida Jade Bird Company Limited ("BBJB") and its related corporations (collectively, the "DZM Vendors"). The balance of RMB2.58 billion has been withheld pending resolution of disputes described below.

Construction work on the DZM Project is in progress. Structural works have been completed for the residential, hotel, retail components and two office blocks. GLC completed and handed over the transportation hub component of the DZM Project to the Beijing government in July 2008, providing the only direct express rail link between Beijing City Centre and Beijing Capital International Airport.

(1) Alleged claims by Shenzhen Development Bank ("SDB") and Agricultural Bank of China ("ABC")

(a) SDB

SDB had claimed that a loan of RMB1.5 billion was granted by SDB to certain borrowers (the "Alleged Loans"). Amongst the security allegedly obtained by SDB is a guarantee by Beijing Dong Hua Guang Chang Zhi Ye Co Ltd ("Zhiye"), a related corporation of BBJB. SDB filed an earlier suit against Zhiye and DZM Project Co in The People's High Court of Beijing ("Beijing Court") but this was dismissed in December 2007. An appeal has been filed by SDB against Zhiye and DZM Project Co in respect of this dismissal ("SDB appeal").

SDB has also initiated another suit directly against DZM Project Co in connection with the recovery of its loan and interest under the Zhiye guarantee ("second SDB suit"). It made an interim application to the Beijing Court to restrict dealing in DZM Project Co's assets in the aggregate sum of its claims.

Based on the information available to GLC, DZM Project Co is neither a guarantor nor borrower of the Alleged Loans granted by SDB to the third party borrowers which were unrelated to DZM Project Co. GLC has been advised by its PRC lawyers that both the SDB appeal and second SDB suit have no merits.

Before the hearing of the SDB appeal and the second SDB suit, SDB and BBJB purportedly entered into a settlement agreement in May 2008 for DZM Project Co to pay, *inter alia*, RMB1 billion of the Alleged Loans to SDB. In November 2008, this settlement agreement was purportedly mediated through the Supreme People's Court of The People's Republic of China ("Supreme Court") and was stated to have effect as a judgement upon signing by the relevant parties ("Alleged Civil Mediation Agreement"). GLC did not have conduct of the aforesaid proceedings and is not aware of the Alleged Civil Mediation Agreement said to be signed by the parties. It has been advised by its PRC lawyers that the Alleged Civil Mediation Agreement is void and unenforceable. GLC has submitted an application for the rehearing of the Alleged Civil Mediation Agreement, which is pending before the Supreme Court.

(b) ABC

In January 2008, DZM Project Co received documents of legal proceedings commenced by ABC against Zhiye, DZM Project Co, Hainan Co and BBJB in the Beijing Court. ABC had claimed that DZM Project Co and its immediate holding company, Hainan Co, are guarantors of a loan of RMB2 billion and interest ("ABC Loan") owed by Zhiye to ABC.

ABC has made an interim application to the Beijing Court to restrict dealing in the assets of Zhiye, DZM Project Co and BBJB in the aggregate sum of its claims against them.

GLC did not have conduct of the proceedings and has not received any notification of any judgement from the PRC courts. GLC has been advised by its PRC lawyers that if DZM Project Co is liable for the loan or any part thereof, GLC is entitled to set-off any payment towards the loan against any outstanding balance of the purchase consideration for the DZM Project.

(ii) (1) GLC’s PRC lawyers have also advised that the interim applications by SDB and ABC granted by the Beijing Court only restrict dealing in the assets of DZM Project Co pending final resolution of the SDB and ABC actions. The interim applications will be expunged in the event the PRC courts dismiss the SDB and ABC actions.

As announced in December 2010, GuoSon Investment Company Limited, a wholly-owned subsidiary of GLL, has signed a Loan Transfer Agreement with ABC to assume the ABC Loan for a sum of approximately RMB3.1 billion, subject to fulfilment of certain conditions.

(2) Hainan Co and DZM Project Co

In early 2008, GLC received a notice issued by the Industrial and Commercial Administration Bureau of Hainan Province purporting to revert registration of the shares in Hainan Co to its original shareholders, who are two of the DZM Vendors, allegedly on the ground, *inter alia*, that GLC had not paid the requisite consideration for Hainan Co.

GLC has challenged the basis for this notice as the full consideration for the transfer of Hainan Co to GLC has been paid to the DZM Vendors. The GLL Group has taken legal advice on these matters and would strongly defend and protect its 90% interest in the DZM Project.

In March 2008, GLC filed a suit against the Industrial and Commercial Administration Bureau of Hainan Province on its reversion of the registration in Hainan Co to the original shareholders. In October 2008, GLC was notified that an administrative judgement by the Hainan Haikou Intermediate People's Court has ruled against GLC. GLC has since appealed to the Hainan High Court against such judgement. The case has been heard by the Hainan High Court and is pending judgement.

GLC group has also sought to protect its 90% interest in the DZM Project and is pursuing separate legal actions in Beijing which are now before the Beijing Intermediate Court, seeking, *inter alia*, for an order as rightful owner that the 90% interest in DZM Project Co be transferred to GLC or its nominee as, amongst other arguments, the development costs of the DZM Project have been funded by the GLL Group. Pending judgement of the aforesaid legal actions, the Beijing Intermediate Court has granted GLC group's application for an asset preservation order in respect of the 90% shareholding in DZM Project Co held by Hainan Co.

OUTLOOK

Economic stimuli and an easy monetary environment in America will continue to provide a favorable environment to equities generally. However, a number of structural issues remain unresolved. At the same time, rising inflation is of concern. In China, the needs to contain price increases and prevent an asset bubble has led to monetary tightening and other controls. All these will result in some volatility.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period the Company did not redeem any of its listed securities. Neither did the Company nor any of its other subsidiaries purchase or sell any of the Company's listed securities.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board has adopted a Code of Corporate Governance Practices (the "CGP Code"), which is based on the principles set out in Appendix 14 (the "HKEx Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the period, the Company has complied with the HKEx Code, save for the fact that non-executive directors are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company and the CGP Code. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the HKEx Code.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 10 March 2011 to Tuesday, 15 March 2011, both days inclusive, during which period no share transfers will be registered.

To qualify for the interim dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 9 March 2011.

As at the date of this announcement, the board of directors of the Company comprises Mr. Quek Leng Chan as Executive Chairman; Mr. Kwek Leng Hai as President, CEO; Mr. Tan Lim Heng and Mr. Ding Wai Chuen as executive directors; Mr. Kwek Leng San as non-executive director and Mr. Sat Pal Khattar, Mr. Volker Stoeckel and Mr. Roderic N. A. Sage as independent non-executive directors.

By Order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 15 February 2011